

March 18, 2003

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVAL OF SIXTH ALLOCATION OF CITY OF INDUSTRY REDEVELOPMENT
HOUSING SET-ASIDE FUNDS AND APPROVAL OF ENVIRONMENTAL
DOCUMENTATION (1, 2, 3, 5)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as the responsible agency pursuant to the California Environmental Quality Act (CEQA), certify that the Housing Authority has considered the attached Initial Study/Mitigated Negative Declarations (IS/MND) including any public comments, for the following developments: Potrero Senior Housing, prepared by the Los Angeles County Department of Regional Planning as lead agency; Saenara Apartments, prepared by the Housing Department of the City of Los Angeles as lead agency; Coronel Village Senior Housing, prepared by the Planning Department of the City of Los Angeles; and, Skyline Village Housing, prepared by the Planning Department of the City of Los Angeles as lead agency; and the attached Negative Declaration (ND) for Heritage Square Senior Apartments, prepared by the Pasadena Community Development Commission as lead agency; and find that the mitigation measures identified in the IS/MNDs, adopted by the respective lead agencies and required as a condition of funding approval, are adequate to avoid or reduce any potential environmental impacts of these projects below significant levels.
2. Find that the above environmental documents reflect the independent judgment of the Housing Authority and authorize the Executive Director to take any and all actions necessary to complete implementation of the above environmental review actions.
3. Find that the following six projects are exempt from the provisions of CEQA because it does not apply to any lower-income development project which consists of the construction, conversion, or use of residential housing consisting of not more than 100 units: Duarte Senior Housing; Laguna Senior Apartments; Broadway Village II Apartments; Prototypes Pomona Apartments; Las Flores Apartments; and The Chancellor II

Apartments; the following two projects because it does not apply to the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures: the Alegria Apartments and The Yankee Apartments.

4. Approve loans to developers using City of Industry Redevelopment Housing Set-Aside Funds (Industry Funds), in a total amount of up to \$12,861,619, including the two conditional Industry loans described below, for the development of a maximum of 14 affordable multifamily rental, senior rental, and special needs housing developments, identified in Attachment A, which have been selected through a Request for Proposals (RFP) process approved by your Board on June 2, 1998, and amended on December 5, 2000.
5. Authorize the Executive Director to determine final approval of the Industry loan of \$693,350 to Chancellor II Partners, L.P., to develop 46 multifamily units in the City of Los Angeles, and the Industry loan of \$1,012,161 to Maple Street Village Partners, L.P., to develop 48 units of senior housing in the City of Los Angeles, provided the conditions described in Attachment B, relating to two prior loans with the Community Development Commission, have been completed to the satisfaction of the Housing Authority within 60 days of Board approval of the Industry loans described above.
6. Authorize the Executive Director to negotiate Loan Agreements with the recommended developers, for the purposes described above, and authorize the Executive Director to execute the Loan Agreements and all related documents, following approval as to form by County Counsel.
7. Authorize the Executive Director to execute documents to subordinate the loans to permitted construction and permanent financing, to execute any necessary intergovernmental, interagency, or inter-creditor agreements, and to execute and modify all related documents as necessary for the implementation of each development.
8. Authorize the Executive Director to incorporate \$3,000,000 in Industry funds previously allocated by your Board into the Housing Authority's approved 2002-2003 budget, to make loans for the completion of developments.
9. Instruct the Executive Director to develop and report to your Board on the feasibility of implementing a separate and ongoing program for generating home ownership opportunities using Industry funds.

PURPOSE /JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve the allocation of Industry Funds for 14 developments that will provide affordable multifamily rental, senior rental, and special needs housing in incorporated and unincorporated areas within a 15-mile radius of the City of Industry. The purpose is also to approve environmental documentation for these developments.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. The Housing Authority is recommending loans to developers in a total amount up to \$12,861,619, to construct 14 developments. Final loan amounts will be determined following completion of negotiations with the developers and arrangements with other involved lenders. Each loan will be evidenced by a promissory note and secured by a deed of trust, with the term of affordability enforced by a recorded Covenants, Conditions and Restrictions document.

Funds for these loans will be incorporated into the Housing Authority's budget on an as-needed basis in upcoming fiscal years. To allow the Housing Authority to loan funds to developments approved by your Board in previous funding allocations, it is requested that authority be given to the Executive Director to incorporate an additional \$3,000,000 into the Housing Authority's budget for 2002-2003.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On June 2, 1998, your Board adopted an Allocation and Distribution Plan for the disbursement of an estimated \$72 million in Industry Funds over a three-year period. Industry Funds consist of 20 percent of tax increment funds collected by the City of Industry that have been transferred to the Housing Authority to develop low- and moderate-income housing. Five previous RFP processes have awarded a total of an estimated \$88,831,205 in Industry Funds to 111 developments, created 3,750 units of affordable and special needs housing, and leveraged over \$478,714,196 in external funds.

The sixth RFP process has been completed. The original amount established for the sixth allocation was \$10,000,000. However, by combining this original amount with surplus funds from the various categories, unused funds from previous allocations, and funds from interest earnings, there is a total of \$12,861,619 available. Industry funds will be allocated to the highest scoring 14 projects, which will create 514 Industry-assisted units and leverage a total of \$117,123,816 in external funding.

The current funding recommendations will provide Industry Funds to the developers through loan agreements to be executed by the Executive Director, following completion of financial arrangements and approval as to form by County Counsel. All loan

agreements will incorporate affordability restrictions and provisions requiring developers to comply with all applicable federal, state, and local laws.

The loan agreements will set aside a minimum of 20 percent of rental units at rates affordable to low-income households earning less than 50 percent of the median income for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), adjusted for family size, as established by the U.S. Department of Housing and Urban Development (HUD). For special needs housing, all units will be reserved for households with incomes below 50 percent of median income. The loan agreements will require that the housing units be set aside for a period of 55 years.

With regard to the conditional allocation of Industry Funds to Chancellor II Partners L.P., and Maple Tree Village Partners L.P., it is recommended that the awards be conditional upon the two developers satisfying the requirements described in Attachment B within 60 days of Board approval. The conditions relate to two prior loans to the developers by the Community Development Commission.

In addition to the above recommended allocations of Industry funds, the Housing Authority proposes to develop a program to increase allocations for the development of for-sale housing, which has typically been less than the amounts available for distribution. The program will include authority for the Executive Director to acquire, subject to Supervisorial District approval, properties suitable for for-sale housing development. The Housing Authority will return to your Board in the near future to request approval of the proposed program.

This letter has been reviewed by County Counsel.

REQUEST FOR PROPOSALS AND SELECTION PROCESS:

The Housing Authority conducted the sixth RFP in accordance with the Allocation and Distribution Plan adopted by your Board. On September 9, 2002, the Housing Authority began advertising the RFP in local newspapers and initiated informational workshops to provide applicants with technical assistance.

Based on a request by your Board, outreach efforts were conducted to encourage RFP responses from developers proposing affordable and special needs projects in the San Gabriel Valley. These efforts, conducted by private consultants retained by the Housing Authority, included interviewing city officials, as well as for-profit and non-profit developers, to determine if modifications to the program were necessary. Cities were invited to attend informational meetings that included presentations by non-profit and for-profit developers and offers of technical assistance, including providing the names of non-profit and for-profit developers. In addition to these specific efforts, the Housing Authority conducted an informational meeting for all potential applicants in October 2002.

Proposals for affordable and special needs housing were accepted until November 4, 2002. The Housing Authority received eleven proposals for affordable housing and five proposals for special needs housing. As illustrated below, total demand exceeded available resources.

Affordable Housing Developments

In order to allow greater flexibility in awards, no specific goals were set for this category.

TYPE	DEMAND	ALLOCATION
Multifamily	\$5,371,081 6 Proposals	\$4,418,458 5 Developments
Seniors	\$4,998,374 5 Proposals	\$3,443,161 5 Developments
Affordable For-Sale	None	None
TOTAL	\$8,907,242 11 Proposals	\$7,861,619 10 Developments

Special Needs Housing

In this category, the Board established the goal of funding at least one development in each sub-category if suitable proposals were submitted.

TYPE	MINIMUM GOAL	DEMAND	ALLOCATION
Developmental Disabilities	1 Development	None	None
Domestic Violence	1 Development	None	None
HIV/AIDS Housing	1 Development	\$1,500,000 1 Proposal	\$1,500,000 1 Development
Emancipating Foster Youth	1 Development	\$500,000 1 Proposal	\$500,000 1 Development
Mental Illness	1 Development	\$3,000,000 3 Proposals	\$3,000,000 2 Developments
TOTAL		\$5,000,000 5 Proposals	\$5,000,000 4 Developments

On February 24, 2003, the Housing Authority reported to the Supervisorial Districts regarding the responses to the RFP process, preliminary funding recommendations, and a preliminary analysis of demand.

Each recommended proposal has undergone a review by Housing Authority staff and technical consultants. In addition, in order to verify expertise and service linkages submitted by applicants, proposals for special needs housing were reviewed by a task force established by the Executive Director, comprised of persons with experience in serving the five targeted special needs populations. Following this process, the proposals were forwarded to an independent review panel comprised of industry and government experts.

The RFP included a process for applicants to appeal individual scores on procedural issues or technical errors. Applicants were notified of the results on January 2, 2003, and given five days to appeal. The hearing of appeals and final actions occurred on January 22 and 23, 2003. Out of eight appeals in the affordable housing category, four proposals received additional points, resulting in one additional funding recommendation, while the single appeal in the special needs category did not result in a funding recommendation.

The recommended funding awards are based on the same threshold criteria adopted for the last allocation, whereby projects scoring a minimum of 70 points are eligible for funding. The recommended awards are being made in accordance with the County's current Housing and Community Development Plan (HCDP) and the planning documents of other affected jurisdictions. The Executive Director may enter into memoranda of understanding and other agreements with other jurisdictions, if necessary for development of the proposed projects.

ENVIRONMENTAL DOCUMENTATION:

The fourteen proposed projects identified in Attachment A have been reviewed by the Housing Authority pursuant to the requirements of CEQA. The following proposed projects required preparation of an IS/MND or, in the case of Heritage Square Senior Apartments, an ND, by the respective lead agencies:

DEVELOPMENT	NO. AND TYPE OF UNITS	DEVELOPMENT TYPE
Potrero Senior Housing	53 Seniors	New Construction
Saenara Apartments	119 Seniors	New Construction
Heritage Square Senior Apartments	50 Seniors	New Construction
Skyline Village Housing	73 Multifamily	New Construction
Coronel Village Senior Housing	48 Seniors	New Construction
St. Anne's Traditional Housing	40 Emancipated Foster Youth	New Construction

The IS/MND for St. Anne's Traditional Housing Program, prepared by the Planning Department of the City of Los Angeles as lead agency, was considered and certified by your Board on June 25, 2002.

As the responsible agency, and in accordance with the requirements of the State CEQA Guidelines, the Housing Authority reviewed the IS/MNDs prepared by the respective lead agencies, and determined that the mitigation measures identified in the IS/MNDs and adopted by the lead agencies, are adequate to avoid or reduce below significant levels potentially adverse impacts on the environment.

The Housing Authority's consideration of the IS/MNDs, including mitigation measures, and the ND, and filing of a Notice of Determination for each project, will satisfy the State CEQA Guidelines as stated in Article 7, Section 15096.

The remaining eight projects are exempt from the requirements of CEQA in accordance with State CEQA Guidelines Article 18, Statutory Exemptions, or Article 19 Categorical Exemptions, as noted in the following table:

DEVELOPMENT	NO. AND TYPE OF UNITS	DEVELOPMENT TYPE	CEQA EXEMPTION STATUTORY (SE) CATEGORICAL (CE)
Duarte Senior Housing	80 Seniors	New Construction	SE 15280
Laguna Senior Apartments	64 Multifamily	New Construction	SE 15280
Alegria Apartments	15 Multifamily	Rehabilitation	CE 15301
Broadway Village II Apartments	50 Multifamily	New Construction	SE 15280
Prototypes Pomona Apartments	16 Multifamily	New Construction	SE 15280
Las Flores Apartments	31 Multifamily	New Construction	SE 15280
The Yankee Apartments	80 Multifamily	Rehabilitation	CE 15301
The Chancellor II Apartments	46 Multifamily	New Construction	SE 15280

CONCLUSION:

The recommended allocation of Industry Funds totaling \$12,861,619 will leverage \$117,123,816 in additional external resources, over nine times the Industry funds recommended for allocation at this time.

The amount of funds requested by qualified applicants exceeded the amount made available during this RFP process. However, qualified applicants not recommended for

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funding from the current allocation have been encouraged by the Housing Authority to resubmit applications for funding in subsequent RFP processes.

IMPACT ON CURRENT PROGRAM:

The requested actions will increase the supply of affordable and special needs housing in the County.

Respectfully submitted,

CARLOS JACKSON
Executive Director

CJ:CBB

Attachments: 7

REQUIRED SUBMISSIONS AND DOCUMENTATION
TO RETAIN INDUSTRY FUNDING ALLOCATION FOR THE CORONEL VILLAGE

**ORANGE TREE VILLAGE APARTMENTS, DISPOSITION AND
DEVELOPMENT AGREEMENT APPROVED BY THE BOARD OF
COMMISSIONERS ON OCTOBER 20, 1998**

1. Preliminary Title Report.
2. Applicable Federal Interest Rate for the Amended Promissory Note and a Determination by the Developer's legal counsel regarding the date of recordation.
3. Preliminary and final negotiated letters from the adjuster
4. A copy of the final cost certification.
5. Landscape Plans for the project.
6. Written response to the "punch list" items.
7. Prevailing Wage documentation for off site improvements.
8. Final construction budget.
9. Copy of the recorded Notice of Completion.
10. Final sign-off by Los Angeles County Building and Safety inspector.
11. Certificate of Occupancy.
12. Contractor's Affidavit of Release of Liens.
13. Contractor's Affidavit of Payment of Debts and Claims.
14. Consent of Surety to final payment.
15. "122 Endorsement" from Title Company.
16. General Contractor's final unconditional lien release.
17. Current all-risk property insurance certification and policy, including lien holders' endorsement listing the Community Development Commission as Loss-Payee.

**AVALON SENIOR APARTMENTS – DISPOSITION AND
DEVELOPMENT AGREEMENT APPROVED BY THE BOARD OF
COMMISSIONERS ON MAY 21, 1996**

1. Project Cost Certification.
2. Certified Project Financial Statements for 2001 and 2002.
3. Unconditional Final Lien Releases.
4. Contractor's Affidavit of Payment of Debts and Claims.
5. Current all-risk property insurance certification and policy, including lien holders' endorsement listing the Community Development Commission as Loss-Payee.
6. Annual budget for the project.
7. A letter regarding the HVAC units and addressing concerns expressed by Cal Engineering (letter of February 19, 2001); ONYX Architects (letter of March 16, 2001); and the Commission's letters of April 10, 2001 and October 3, 2001.

8. Signed Certificate of Substantial Completion.
9. A letter signed by all three partners of Avalon-El Segundo Properties, L.P., which states the following:
 - a) All American Housing change orders were approved by the Partnership.
 - b) All "Punch List" items have been completed to its satisfaction.
 - c) All warranties are in place and all training and transfer of equipment manuals necessary for building operation has occurred.

RECOMMENDED ALLOCATIONS FOR CITY OF INDUSTRY FUNDS FOR INCORPORATED

AFFORDABLE HOUSING DEVELOPMENTS

District		Location	Development/Applicant
	1	Los Angeles	Alegria Apts./Esperanza
	2	Los Angeles	The Chancellor II/Chanc.
	2	Los Angeles	Broadway Village II/Beyo
	1	Los Angeles	Skyline Village/T. Safran
	2	Los Angeles	The Yankee/SRO Hsng.
	1	Los Angeles	Coronel Village/Maple Tr
	5	Duarte	Duarte Sr. Hsng./So. CA
	5	Pasadena	Heritage Sq./Afford. Mult
	1	Uninc. S. San Gabriel	Potrero Sr. Hsng./Potrero
	2	Los Angeles	Saenera Apts./Saenara L

SPECIAL NEEDS HOUSING DEVELOPMENTS

3	Los Angeles	Laguna Sr. Apts./Proj. N
1	Uninc. E. Los Angeles	Las Flores/ELACC
1	Pomona	Prototypes Pom. Apts./P
1	Los Angeles	St. Anne's/St. Anne's Ma

